## REPORT TO THE CITY COUNCIL

## BY THE CITY INTERNAL AUDITOR

## **AUDIT OF THE**

**METROPOLITAN PLANNING COMMISSION** 

**INTERNAL AUDIT REPORT (IAR) 110198-13** 

**DECEMBER 30, 1998** 



December 30, 1998

Councilman John David Stewart, Chairman Shreveport City Council

Dear Councilman Stewart:

Subject: IAR 110198-13 - Audit of the Metropolitan Planning Commission

Attached please find the report mentioned above. Management comments are included in the report.

Sincerely,

Radford K. Snelding, CFE, CGFM, CIA City Internal Auditor

LG:jm

# EXECUTIVE SUMMARY AUDIT OF THE METROPOLITAN PLANNING COMMISSION (MPC) INTERNAL AUDIT REPORT (IAR) 110198-13

The purpose of the executive summary is to convey in capsule form the significant issues of the audit report. The executive summary is a vehicle for reviewing the report and should be used in conjunction with the entire report.

#### INTRODUCTION

The Metropolitan Planning Commission (MPC) Board and the Zoning Board of Appeals are regulatory boards charged with the mission of planning and coordinating the physical development of the City of Shreveport and the adjacent areas of Caddo Parish. The boards are supported in their mission by the staff of the MPC.

#### **OVERVIEW OF SIGNIFICANT ISSUES**

Generally, we found management and operations over the MPC to be efficient and effective.

Based on the result of our audit, however, we have identified some administrative and accounting control issues that management should review to help strengthen controls in these areas. Our comments address the following concerns:

- ? The lack of authorization for the sale of maps and other publications by MPC.
- ? Insufficient reporting of capital project balances to determine unexpended amounts.
- ? Space needs issues within the Zoning Office.
- ? Improper classification of a worker as an employee rather than an independent contractor.
- ? The need for organizing numerous state and local laws and regulations, plans, and administrative policies and procedures for MPC into a manual.

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## AUDIT OF THE METROPOLITAN PLANNING COMMISSION INTERNAL AUDIT REPORT (IAR) 110198-13

#### **OBJECTIVES**

We have completed an audit of the Metropolitan Planning Commission (MPC). The objective of the audit was to review and evaluate the operational, administrative, and internal accounting controls within the MPC.

#### SCOPE AND METHODOLOGY

Our audit was performed in accordance with applicable generally accepted governmental auditing standards. The scope of internal controls was limited to assessing the general controls surrounding the areas of revenue, electronic data processing, policy and planning, reporting, budgeting, personnel, and contract administration. General audit procedures included:

- ? Interviewing appropriate personnel.
- ? Reviewing compliance with established or stated policies and procedures.
- ? Observing operations and ongoing activities.
- ? Reviewing records, reports, and other applicable documentation.

#### BACKGROUND

The MPC is the planning authority for the City of Shreveport and its environs and is comprised of nine appointed board members and a staff of 23. The MPC was established by state legislation in 1956 and receives funding from both the City of Shreveport and Caddo Parish. The primary responsibility of the MPC is to provide for the orderly physical development of the City of Shreveport and its surrounding planning area. The MPC makes recommendations to the City Council and the Parish Commission on a wide range of issues dealing with land use and general development of the city and surrounding areas, whether it be the routine rezoning of properties, or long-range planning, such as neighborhood and transportation planning, that will affect the city for years to come.

The Zoning Enforcement Office, which is a division of MPC, handles enforcement of the zoning ordinance regulations. The Zoning Board of Appeals, comprised of seven appointed board members, is the body that regulates zoning ordinance requirements.

The 1998 Operating Budget for the MPC was \$1,001,300. Operating subsidies provided 88% of the operating revenues with the City of Shreveport contributing 75% and Caddo Parish contributing 13%. The remaining 12% is generated primarily from application fees and map

and other document sales.

#### CONCLUSIONS/FINDINGS/RECOMMENDATIONS

The Internal Audit Office appreciates the courtesy and cooperation extended to us during the audit by the MPC. Generally, we found that operational, administrative, and internal accounting controls within MPC were adequate.

Based on our audit, however, we have made recommendations to management that may serve to further enhance controls within MPC. Accordingly, we believe management could improve the control environment by implementing the following:

- ? Preparing an ordinance for approval by the City Council which authorizes the sale of maps and other publications.
- ? Timely billing for the Caddo Parish operating subsidy.
- ? Ascertaining and reporting the unexpended balances for each project in the capital account.
- ? Coordinating with budgeting to establish a MPC capital project account.
- ? Reviewing space needs concerns for the Zoning Office.
- ? Properly classifying workers.
- ? Providing governmental employee ethic and conflict of interest training to staff.
- ? Implementing improved safety and training programs for all employees.
- ? Developing a policies and procedures manual.

#### 1. Controls Over Revenue

**Criteria:** Sections 2.02(c) and (g) of the City Charter authorizes the City to "assess...fix, and collect charges and fees for services performed and privileges granted..." Furthermore, good internal controls dictate proper collection, processing, and recording of revenues.

**Condition:** As authorized by Ordinance No. 65 of 1993, the Metropolitan Planning Commission (MPC) collects payments of application fees for zoning changes, zoning variances, and sub-divisions. Funds are also collected from the sale of maps and other publications; however, no legal authorization for the sale prices of these documents has been obtained as required by Sections 2.02(c) and (g) of the City Charter.

Additionally, our review noted some weakness in the safeguarding, processing, and recording of some of the revenues collected. Specifically, we found:

- ? Cash and checks were not always being deposited daily.
- ? Quarterly billing for the Caddo Parish operating subsidy was not always timely. For example, we noted that second quarter revenue for 1998 of \$32,000 was not billed until October, 1998. As a result, this revenue was not received and recorded timely.
- ? Approximately \$5,400 in sign permit revenue for the Zoning Office for the first seven months in 1998 was inappropriately recorded as building permit revenue for Permits and Inspections.

**Effect:** A significant risk exists that errors, omissions, or misappropriation could occur and go undetected, resulting in loss of revenues and/or inaccurate financial reporting.

#### Cause:

- ? No ordinance has been prepared authorizing the sale of maps and other publications.
- ? Only one person is trained to make the daily deposits and complete the revenue receipts. When this employee is out (due to flex-time, sick leave, vacation, etc.), the revenue is not deposited until the employee returns.
- ? Inadequate oversight and review resulted in the untimely billing and inappropriate charges.

#### **Recommendation:** We recommend that management:

- ? Prepare an ordinance for approval by the City Council authorizing the sale of maps and other publications.
- ? Cross-train at least one other employee on procedures for making daily deposits and completing revenue receipts to ensure that deposits are made daily when the primary employee who performs this function is absent.
- ? Ensure that billing for the Caddo Parish operating subsidy is timely.
- ? Request reimbursement from Permits and Inspections for the sign permit revenue erroneously credited to their account. In the future, MPC should monitor this account to ensure that all revenue is properly recorded to their account.

**Management Plan of Action:** MPC Management concurs with all four recommendations.

a. An ordinance will be prepared authorizing the sale of maps and publications and prescribing the procedure for establishing and changing such fees.

**Timetable:** This ordinance will be prepared in January for approval by the MPC in February to schedule a public hearing in March. If recommended for approval by the MPC, the City Council should be able to approve this ordinance at their first meeting in April.

b. An employee will be identified and cross-trained to make daily deposits and complete revenue receipts when the primary person who performs these tasks is absent.

**Timetable**: This cross-training will take place within 45-60 days of the first of the year.

c. The Caddo Parish Commission will be billed within the first three weeks of the beginning of each quarter. A suspense file will be established to remind the Fiscal Coordinator to perform this task. The Director of Current Planning has been assigned oversight over this to ensure the task are accomplished in a timely manner.

**Timetable:** This will be implemented in January, 1999.

d. The MPC management will work with the Permits and Inspection Bureau, Department of Community Development, to determine the amount of Sign Permit revenues erroneously credited to Permits and Inspections and have been those funds transferred to the correct MPC account. Additionally, the MPC Zoning Administrator will submit monthly reports on Sign Permits to the Fiscal Coordinator. The Fiscal Coordinator will report the status of all revenue credits at the monthly Budget Review meeting.

**Timetable:** This concern should be fully corrected within the first six (6) months of fiscal year 1999.

## 2. Controls Over the Masterplan Capital Project Account

**Criteria:** Good internal controls dictate that the account balances for capital projects be timely reconciled and accurately reported.

**Condition:** During our review, we noted that there were no controls in place requiring that the unexpended balance for each project in the capital account for MPC be reconciled and reported. Accounting reports show total revenues and expenditures in the capital account as lump-sum balances. However, there was no mechanism in place to track unexpended balances in the capital account on a project-by-project basis.

Additionally, we noted that MPC's capital project account is reported in the operating budget and the accounting records as an engineering project. Because of this identification, there were times in the past when the Engineering Division has erroneously spent (as much as \$39,000) from this account. MPC was subsequently reimbursed these funds.

#### Effect:

- ? If project balances are not reconciled, management may not be aware if projects are overspent.
- ? Funding decisions may be based on insufficient information.
- ? Inadequate funding for MPC capital projects could result.

#### Cause:

- ? A policy or procedure requiring reconciliations of capital project balances has never been developed.
- ? The MPC capital project account is identified in the budget as an engineering account.

#### **Recommendation:** We recommend that management:

- ? Ascertain the balance for each open project in the capital account.
- ? Report the balances for each open project on a quarterly basis.
- ? Coordinate with budgeting to establish a capital account for MPC separate and distinct from the engineering capital project account.

#### Management Plan of Action: MPC Management concurs with all three recommendations.

a. The MPC will do a recapitulation of the most recent Masterplan Account projects to ascertain an accurate balance for that account. Once that balance is obtained, it will be assigned to Project "A" - General in the Masterplan account. Any subsequent projects will be assigned to project "B" Name, "C" Name, "D" Name etc. with the appropriate amounts of funding allocated to each. These projects will be tracked internally by MPC using a general ledger in Lotus 123.

b. The status of these accounts will be reported quarterly to the MPC Board.

**Timetable:** The balance will be established by the end of February 1999 and the first report made to the MPC at its mid-March meeting and quarterly thereafter.

c. Management will work with budgeting to establish a capital project account for the MPC which is separate and distinct from the engineering capital project account. Any new projects will be individually tracked by the MPC 's fiscal coordinator and reconciled with the City's reporting system.

**Timetable:** Because there have been past unsuccessful requests to establish a separate MPC capital project's account, it is impossible to give a timetable for accomplishing this. We will work with city budget personnel in this effort.

## 3. Space Needs Concerns for the Zoning Office

**Criteria:** Responsive customer service and overall customer satisfaction should be regarded as necessary components of good business practices.

**Condition:** A review of the Zoning Office revealed a lack of adequate space necessary to carry out basic customer service activities. For example, we noted that the Zoning Office lacked adequate space for servicing the public and for meeting with customers concerning sensitive zoning issues. Additionally, the cramped office space areas did not lend themselves to creating the most effective and efficient working environment possible for Zoning Office employees.

#### Effect:

- ? Negative customer perception and satisfaction.
- ? Adverse publicity.
- ? Decreased employee morale.

**Cause:** Lack of available space and inadequate space planning has resulted in this concern.

**Recommendation:** We recommend that management request a study be performed of the space needs concerns for the Zoning Office in order to determine the most efficient and

effective utilization of office space within the City Hall Annex.

One alternative to consider is locating all the permit processing activities in one central area to support the concept of the one-stop shopping center for obtaining city permits. This should result in more user-friendly services when individuals are trying to obtain business permits. Those functions which could be located in the centralized permitting area would include the Zoning Office, Permits and Inspections, Fire Prevention, and an Engineering Section.

**Management Plan of Action:** MPC Management concurs with this recommendation.

a. There have been several space needs studies done by previous administrations. The studies have always shown that the Zoning Enforcement office is severely overcrowded and not conducive to good customer service. We agree that space demands of the interrelated permitting functions should be studied again so that the one-stop permitting concept can truly function for the benefit of the citizens. While not all personnel associated with Zoning, Fire Prevention or Engineering need to be located in the one-stop permit center, they certainly need to be nearby in office space that does not negatively affect the customers or the employees.

**Timetable**: In the first six months of 1999 we will request that the new administration review the previous space needs assessments of the Annex building and consider that another assessment be done. Since there is no money in the MPC budget for a new study, the timetable for the assessment is dependent on the administration's budget priorities.

#### 4. Worker Classification

**Criteria:** The Internal Revenue Services (IRS) has specific guidelines on determining whether the status of a worker is that of an employee or independent contractor. The key is control, or the right to control as to the details and means by which a service is accomplished. By IRS standards, an individual is an employee when the person or persons for whom the services are performed have the right to control and direct the individual who performs the services, not only as to the result to be accomplished by the work but also as to the details and means by which that result is accomplished.

**Condition:** During our review, we noted one worker who was classified as an employee of the MPC for five months, although by IRS standards appeared to be more appropriately

classified as an independent contractor.

The worker had a written contract with the MPC to provide a plan for the development of a historic music and entertainment district in and around the downtown area. According to the written contract, this worker was "an employee of the Metropolitan Planning Commission in the capacity of a Planner II at a rate of compensation totaling \$10,000..." The duration of the contract was from August 1997 until December 1997.

Although this worker was classified as an employee and paid from personal services, the work by the employee did not meet several important criteria which establishes an employer-employee relationship such as:

- ? An employee must comply with instructions about when, where, and how to work.
- ? An employee generally has a continuing relationship with an employer.
- ? An employee has set hours of work established by an employer. An independent contractor generally can set his or her own work hours.
- ? An employee may be required to work or be available full-time. An independent contractor can work for whom he or she chooses.
- ? An employee usually works on the premises of an employer, or works on a route or at a location designated by an employer.
- ? An employee is usually paid by the hour, week, or month. An independent contractor is usually paid by the job.
- ? An employee is normally furnished significant tools, materials, and equipment by an employer.
- ? An employee can be fired by an employer. An independent contractor cannot be fired so long as he or she produces a result that meets the specifications of the contract.

#### Effect:

- ? Misclassifications of workers can result in misuse or abuse of public funds.
- ? Failure to properly characterize a temporary worker can have negative tax consequences.
- ? If misclassified as an employee, the worker can lose deductions for a home office, business expenses, and for payments to a self-employed retirement plan.
- ? Expenditures are improperly classified.

**Cause:** According to management, funds were not available in professional services to pay this consultant contract, so the contractor was paid out of personal services as an employee.

**Recommendation:** In the future, management should ensure that workers are properly classified. Independent contractors should be paid from professional services, not from personal services as an employee. If funds are not available in professional services but are available in personal services, management should request that personal service funds be transferred to professional services to pay the contract.

**Management Plan of Action:** MPC Management agrees with this recommendation.

a. In the future, we will ensure that workers are properly classified. We will also ensure that independent contractors are paid from the professional services category.

**Timetable:** These recommendations will be implemented immediately.

## 5. Employee Ethics and Conflict of Interest Education

**Criteria:** The employees of the MPC are required to be in compliance with state and local laws related to governmental employee ethics and conflict of interest.

**Condition:** During our review, we could find no evidence that employees were provided copies of the laws or were required to sign an affidavit stating they were familiar with and understand the following specific regulations relating to governmental employee ethics and conflict of interest:

- ? Louisiana Revised Statute (LA R.S.) 42:1101, "Governmental Ethics for Public Officers Employees"
- ? Section 2-107 of the Code of Ordinances, "Code of Governmental Ethics"
- ? Section 16.02 of the 1978 City Charter, "Interest of City Officers and Employees in Contracts"

**Effect:** Existing laws and regulations may be violated.

**Cause:** Lack of management oversight has resulted in this weakness.

**Recommendation:** In order to ensure that all MPC employees are familiar with these regulations, we recommend that copies of these laws be provided to each employee. An affidavit should then be executed by each employee stating that they have read and are familiar with the provisions of the laws.

**Management Plan of Action:** MPC Management agrees with this recommendation.

a. Copies of the cited laws will be provided to each employee. We will request that the Assistant City Attorney assigned to the MPC schedule training sessions for all existing employees. After reading the laws and attending a training session, each employee will execute an affidavit stating that they have read and are familiar with the provisions of the laws. The cited laws and affidavit will also become part of the MPC's "new employee packet".

**Timetable:** The employee ethics and conflict of interest training will be accomplished within the next six months.

## 6. Safety and Training Programs

**Criteria:** A safety management program is important in preventing workplace injuries. Safety and prevention programs reduce accidents and time off due to sick days, thereby, resulting in greater worker productivity. Similarly, employees should be afforded opportunities for training and development to ensure that the objectives of economy, efficiency, and effectiveness for an organization are attained.

**Condition:** MPC does not have an established safety program.

We also noted that management does not maintain a centralized record of training statistics for its employees. As a result, it is difficult to adequately analyze, assess, and evaluate training needs for each individual, group, or functional area.

We found that none of the employees in the planner group received formal training in 1997 or 1998. In addition, we could find no evidence of training in 1998 for at least two zoning inspectors, one Geographic Information Systems (GIS) employee, and the fiscal coordinator.

#### Effect:

- ? Possibility of inadequately and improperly trained employees.
- ? Possible inefficiencies in job performance.
- ? Possible inadequate identification of training needs.

? Potential for inadequate evaluation of training and development programs.

**Cause:** Management stated that budget constraints have resulted in the lack of formal safety and training programs offered to employees.

**Recommendation:** We recommend that management:

- ? Implement a safety program for MPC.
- ? Maintain a centralized computer record of training statistics for employees.
- ? Develop a written policy on personnel training and safety to be included as part of the policies and procedures manual.

**Management Plan of Action:** MPC Management concurs with these recommendations.

- a. The MPC has the rudimentary beginnings of a safety program in that it ensures that all personnel are trained on how to safely operate all office equipment that is assigned to them. However, this is not formalized and documented. MPC will develop and implement a formalized safety program using the City's program as a guide.
- b. After the safety program has been developed and implemented, a record of all safety training as well as other training, will be documented in a computerized staff training file with appropriate documentation kept in each staff members personnel file.
- c. MPC will develop a written policy on safety training to be incorporated in the overall personnel policies and procedures manual that will be developed.

**Timetable:** The safety module should be developed and implemented within the first six months of calendar year 1999.

#### 7. Automation of Manual Tasks

**Criteria:** For increased economy and efficiency of operations, manual tasks should be automated when practicable.

**Condition:** During our review, we noted two functions performed manually that should be automated for increased economy and efficiency of operations. Specifically, we noted:

- ? Certificate of Occupancy forms are completed manually with use of a typewriter.
- ? Notifications for public hearings are determined with use of microfilm. Customarily, public hearing notifications are sent to all landowners who live within 300' of a subject property, notifying them of potential land use changes in the nearby vicinity. Currently, the 300' parameter is determined by manually looking up Geo code addresses on the microfilm, requiring a significant time investment each month. Subsequently, these Geo code addresses are matched to addresses in the mainframe and a standard notification letter is generated and mailed to landowners.

**Effect:** Inefficient use of personnel and equipment resources.

**Cause:** An attempt was made to automate the Certificate of Occupancy forms in the past. The task was never completed, partly due to management's desire to produce an exact duplication of the original certificate of occupancy forms.

The major task of completing the computerized mapping project and case files has taken priority over other computerization efforts.

**Recommendation:** We recommend that management:

- ? Complete the task of automating the Certificate of Occupancy forms. Although an exact duplication of the original form would be ideal, management should also consider any forms which would include the same content of the original form.
- ? Coordinate with Northwest Louisiana Council of Governments (NLCOG) to study whether a program can be created which could perform queries of information contained in the GIS data base to calculate distance relationships. This query builder program should be able to automatically compile all Geo code addresses within the parameter requested, resulting in increased efficiency of operations.

**Management Plan of Action:** MPC Management concurs with both recommendations, however the second recommendation cannot be implemented at this time.

a. As soon as the recently ordered computers in the Zoning Enforcement office are installed and the Sierra "Permits Plus" upgrade becomes operational, the Certificate of Occupancy forms will be fully automated. Several Zoning Enforcement personnel have been trained on the new system and will be responsible for training all other

Zoning personnel.

**Timetable:** The installation and migration process could take as much as six months.

b. While MPC Management agrees that the public hearing notification process needs to be automated, we are aware that the REGIS project will not have that capability until the Tax Assessor's information is fully integrated into the system. At the most recent meeting of REGIS participants, the Tax Assessor informed the group that they are contracting with a consulting firm to complete their labor intensive data base. Once the assessor's data base is incorporated into the system, the Arcview software which is already being used by MPC can easily identify those properties within a 300' radius of any given property and pull up the associated property owners and mailing addresses.

**Timetable:** The Tax Assessor's consultant has been given an August, 2000, deadline to complete the project. MPC will be looking at other ways to improve and automate our notification process in the meantime.

### 8. Policies and Procedures Manual

**Criteria:** A standard operational procedures manual can improve operations by providing uniformity in practices, establishing clear lines of responsibility, enhancing accountability, lessening the threat to continuity posed by employee turnover, and remediating charges of inequity or unfairness in practices.

**Condition:** MPC does not have standard policies and procedures that communicate and clearly define authority and responsibility to its employees.

Although MPC maintains numerous documented policies, procedures, plans, and regulations related to zoning development and planning, other policies and procedures, including personnel, training, project scheduling, reporting, safety, and inventory control had not been developed. Those policies and procedures which were documented were not maintained in a manual by topic, were not numbered, and were not indexed for reference purposes. In addition, procedures were not in place for ensuring that all employees were familiar with policies and procedures which were essential to the accomplishment of their tasks.

#### Effect:

- ? Operations may not be accordance with mission.
- ? Existing laws and regulations may be violated.

**Cause:** Development of a policies and procedures manual for MPC was not a significant priority.

**Recommendation:** We recommend that a policies and procedures manual be developed. The manual should include zoning development and planning policies, procedures, and regulations, as well as administrative policies and procedures. The manual should be numbered and indexed. A copy should be provided to each employee for training and reference purposes.

**Management Plan of Action:** MPC Management concurs with the recommendation. The MPC will develop and implement a standard policies and procedures manual using the City's policies and procedures as a guide where appropriate. As each module is completed, a copy will be provided to each employee and appropriate documentation will be noted and made at that time.

**Timetable**: This project will be ongoing and should be accomplished in calendar year 1999.

Prepared by:

Leanis L. Graham, CIA, CPA Staff Auditor

Approved by:

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